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AUNOR GOLD MINES

LIMITED

ANNUAL REPORT 1971

AUNOR GOLD MINES LIMITED

HEAD OFFICE: SUITE 1700 — 44 KING STREET WEST, TORONTO 1

DIRECTORS

K. C. Gray	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
R. V. Porritt	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
W. S. Row	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
A. W. Stollery	-	-	-	-	-	-	-	-	-	-	-	-	Toronto

OFFICERS

D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	-	President
W. S. Row	-	-	-	-	-	-	-	-	-	-	-	Vice-President
J. A. Graham	-	-	-	-	-	-	-	-	-	-	-	General Manager
B. H. Grose	-	-	-	-	-	-	-	-	-	-	-	Secretary
E. K. Cork	-	-	-	-	-	-	-	-	-	-	-	Treasurer

TRANSFER AGENT AND REGISTRAR: Canada Permanent Trust Company, Toronto

ANNUAL MEETING: April 18, 1972 — 12.00 noon (Toronto Time) King Edward Sheraton Hotel

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dividends totalling 19¢ per share were paid in 1971, being one payment of 4¢ and three payments of 5¢ and exceeded net earnings by 15¢ per share.

Gold production was 76,900 ounces, some 3,000 ounces more than in 1970 but the price received was \$1.04 per ounce lower, reflecting the lower premium on the Canadian dollar.

Although the quantity of ore mined and milled was some 15,000 tons higher, costs at the mine were \$39,000 lower than in 1970. A cycle of lower grade ore treated in the fourth quarter was the main factor in the operating loss for the year.

Less exploration and development work was done and ore reserves at January 1, 1972 were 835,000 tons averaging 0.31 oz. per ton compared to 834,000 tons averaging 0.33 oz. one year earlier.

The price for gold on the free market increased recently to the extent that there is little if any advantage in sales to the Canadian Mint at \$35 U.S. per ounce to qualify for cost allowances available under the Emergency Gold Mining Assistance Act pending the expected revaluation of gold to \$38 U.S. by the U.S. Congress. However, to encourage the forward planning and expenditures necessary to develop and make available ore reserves for continuing operations, it is imperative that the Canadian Government confirm at an early date extension of the EGMA Act from June 1973 through 1975, as implied in the official announcement of August 1970.

In May 1971, Mr. L. S. Brooks former manager of Aunor, resigned that position to accept an appointment as Manager of Noranda's Geco Mine and was succeeded by Mr. J. M. Slack. Your Directors wish to record their appreciation of the services of both managers, their staff and all employees throughout the year.

On behalf of the Board,

Toronto, Ontario,
January 27, 1972.

D. E. G. SCHMITT,
President.

EARNINGS PER SHARE	1971	1970
Loss before EGMA credit	(49.6¢)	(54.2¢)
EGMA credit	39.5	38.3
Operating Loss	(10.1¢)	(15.9¢)
Investment Income	14.1	25.1
	<u>4.0¢</u>	<u>9.2¢</u>

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
REVENUE		
From metal production	\$2,724,481	\$2,698,474
EXPENSES		
Cost of production	3,573,394	3,612,335
Administrative expenses	62,218	59,038
Depreciation	80,652	103,000
Amortization	—	6,397
	3,716,264	3,780,770
Less recoverable under The Emergency Gold Mining Assistance Act ..	790,100	765,300
	2,926,164	3,015,470
OPERATING LOSS	(201,683)	(316,996)
INVESTMENT INCOME		
Dividends from affiliated and associated companies	72,260	72,960
Other dividends and interest earned	209,978	278,494
Profit on sale of investments	—	150,353
	282,238	501,807
NET INCOME	80,555	184,811
RETAINED EARNINGS		
Balance, beginning of year	4,785,955	4,552,176
		4,736,987
Prior years' income tax liabilities and accumulated tax reductions no longer required	—	128,968
	4,866,510	4,865,955
Less dividends	380,000	80,000
Balance, end of year	\$4,486,510	\$4,785,955
EARNINGS PER SHARE	4.0¢	9.2¢

NOTE:

The aggregate direct remuneration paid or payable to the directors and five senior officers of the company (as defined by The Business Corporations Act) amounted to \$52,975.

AUNOR GOLD

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET

ASSETS

	1971	1970
CURRENT ASSETS		
Cash and short-term deposits	\$2,985,664	\$3,230,621
Bullion	283,090	237,965
Accounts and interest receivable	14,245	22,077
Marketable investments, at cost (quoted market value \$825,375)	1,060,582	1,060,582
Receivable under The Emergency Gold Mining Assistance Act	235,043	335,943
Stores, at cost	225,165	259,970
Prepaid expenses	7,833	6,468
	<u>4,811,622</u>	<u>5,153,626</u>
 INVESTMENTS, at cost		
Shares in associated and affiliated companies (quoted market value \$1,373,500)	582,817	582,817
 FIXED ASSETS		
Buildings, plant and equipment, at cost	2,513,662	2,424,183
Accumulated depreciation	<u>2,247,757</u>	<u>2,194,620</u>
	265,905	229,563
 Mining claims purchased and held under lease, at cost	1,179,349	1,179,349
	<u>1,445,254</u>	<u>1,408,912</u>
	<u><u>\$6,839,693</u></u>	<u><u>\$7,145,355</u></u>

AUDITORS' REPORT

We have examined the balance sheet of Aunor Gold Mines Limited as at December 31, 1971 and the statements of operations and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
January 26, 1972.

MINES LIMITED

Laws of Ontario)

AT DECEMBER 31, 1971

LIABILITIES

	1971	1970
CURRENT LIABILITIES		
Accounts payable	\$ 353,183	\$ 359,400
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized, issued and fully paid		
2,000,000 shares of \$1 each	2,000,000	2,000,000
Retained earnings	4,486,510	4,785,955
	<u>\$6,839,693</u>	<u>\$7,145,355</u>

On behalf of the Board:

D. E. G. SCHMITT, Director.

W. S. ROW, Director.

THE SHAREHOLDERS

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.,
Chartered Accountants.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
WORKING CAPITAL, beginning of year	<u>\$4,794,200</u>	<u>\$4,611,600</u>
SOURCE OF FUNDS		
Operations		
Net income	80,600	184,800
Add charges not requiring an outlay of funds		
Depreciation	80,700	103,000
Amortization	—	6,400
	<u>161,300</u>	<u>294,200</u>
Prior years' income tax liabilities written off	—	48,600
	<u>161,300</u>	<u>342,800</u>
APPLICATION OF FUNDS		
Dividends	380,000	80,000
Fixed assets — net	117,100	80,200
	<u>497,100</u>	<u>160,200</u>
NET INCREASE (DECREASE)	(335,800)	182,600
WORKING CAPITAL, end of year	<u><u>\$4,458,400</u></u>	<u><u>\$4,794,200</u></u>

MANAGER'S REPORT

To the President and Directors:

This report summarizes operations for the year 1971.

MINE

Production

Mechanization for narrow vein mining continued with the addition of 5 drill rigs. A new backfill and cement plant was provided to increase capacity and flexibility and reduce costs.

Ore hoisted amounted to 276,160 tons; 251,480 tons from stopes, and 24,680 tons from stope preparation. The proportion of ore hoisted through the internal No. 3 shaft to the 2900' level was consistent with the previous year at 92%.

Backfill placed in the mine totalled 113,480 tons of classified mill tailings, and 30,900 tons of truck-hauled pit sand and re-claimed tailings.

Development

Development for the year was limited to 117 feet of drifting and 292 feet of raising, to improve the backfill system. Advances for the year were:

	Feet of Advance	
	1971	1970
Drifts and Crosscuts	117	1,251
Raises	292	121
Stope Preparation	5,859	4,327
Diamond Drilling	2,288	11,688

Ore Reserves

Proven ore reserves, including an allowance for dilution, at January 1, 1972, were 835,000 tons, approximately the same as at January 1, 1971, but grade decreased from 0.33 oz. per ton to 0.31.

MILL

Production and performance are tabulated below with statistics for both 1970 and the period since production started in January 1940.

	1971	1970	Total To Date
Tons milled	276,844	261,720	6,685,596
Tons milled per calendar day	758	717	572
Average gold content — oz./ton	0.292	0.295	0.341
Average tailings loss — oz./ton	0.014	0.013	0.013
Gold recovery — %	95.25	95.7	96.4
Gold production — ounces	76,900	73,880	2,194,549
Value of total production	\$2,724,500	\$2,698,500	\$79,893,500
Value per ton milled	\$9.84	\$10.31	\$11.95

GENERAL

Labour for the mine was adequate in 1971. At year-end there were 287 employees on payroll compared to 294 at the end of 1970.

Integration of the operating organizations for the Aunor, Hallnor and Pamour mines under the direction of one manager has achieved the efficient use of human and physical resources from which all operations benefitted. The technical and professional services made available have resulted in positive programs in answer to the many problems encountered.

I wish to record my appreciation of the high level of participation by Department Heads and all employees in the past year.

Respectfully submitted,

Timmins, Ontario,
January 27, 1972.

J. M. SLACK,
Mine Manager.

